

**Secret**

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# *Central Intelligence Bulletin*

## CONTENTS

LAOS: Government forces in the Bolovens Plateau suffer severe setback. (Page 1)

EGYPT: Cairo remains untroubled four days after the purge. (Page 3)

INDIA-PAKISTAN: India protests the heavy flow of refugees from East Pakistan. (Page 5)

COMMUNIST CHINA: Peking accelerates its efforts to improve relations with Southeast Asian countries. (Page 6)

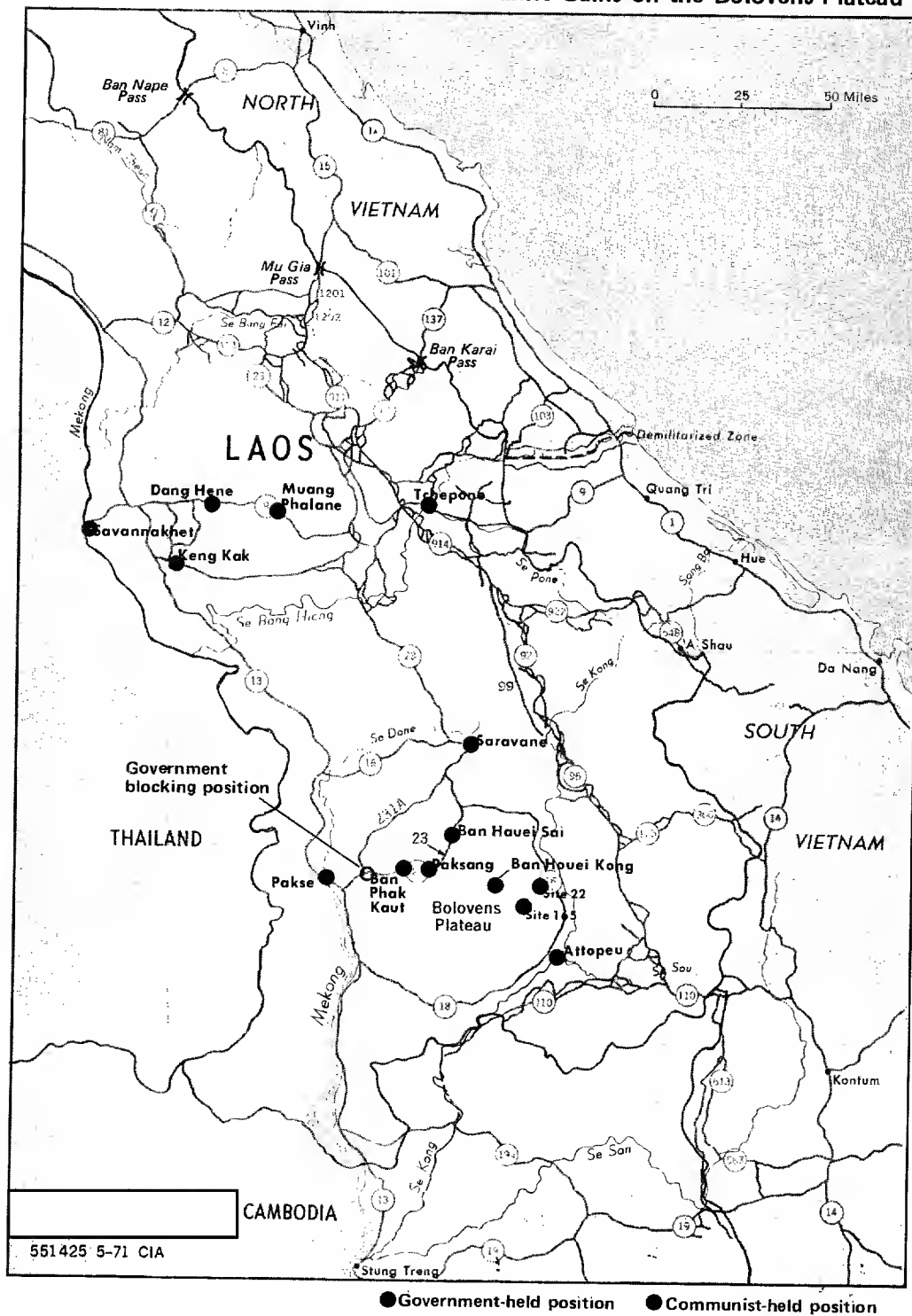
VENEZUELA: Student demonstrations. (Page 7)

USSR: Submarine tender may be heading for Cuba (Page 8)

ECUADOR: Army officers reassigned (Page 8)

SECRET

### Communist Gains on the Bolovens Plateau



SECRET

SECRET

LAOS: The Communists have inflicted a severe setback on government forces in the Bolovens Plateau.

In a series of sharp coordinated attacks on 16 May, the Communists forced the government to abandon a number of strategically located bases in the heart of the plateau. Among the positions lost were Ban Houei Sai, which guarded the northern approaches to the plateau, and Ban Phak Kout, whose loss cuts land access to Paksong town via Route 23. So far, no attack has been reported against Ban Houei Kong, the last major irregular base on the plateau, but Communist troops have been seen in the vicinity.

Communist troops have entered Paksong itself, and at last report the government defenders had abandoned nearby positions. Reinforcements are being moved in from Pakse and a training site in Thailand to establish blocking positions at the junction of Routes 23 and 231A. This is the first time the Communists have hit Paksong, the largest population center on the Bolovens, although for several years it has been cited as a possible target.

The Bolovens had been relatively quiet since February and March, when the Communists forced government irregulars to abandon bases on the eastern rim that were overlooking the Se Kong infiltration corridor. A renewed offensive has been expected for several weeks, but government commanders thought there might be further delays because of recent Pathet Lao defections in the area.

The current drive is the latest phase of a general campaign in the Bolovens area that began in 1968, when the Communists re-entered the Se Done Valley and cut off the provincial capital of Saravane. Since then, the Communists have taken Saravane, Attoupeu, and other government positions around the edge of the plateau while eroding the government's once firm control of the Bolovens itself.

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17 May 71

Central Intelligence Bulletin

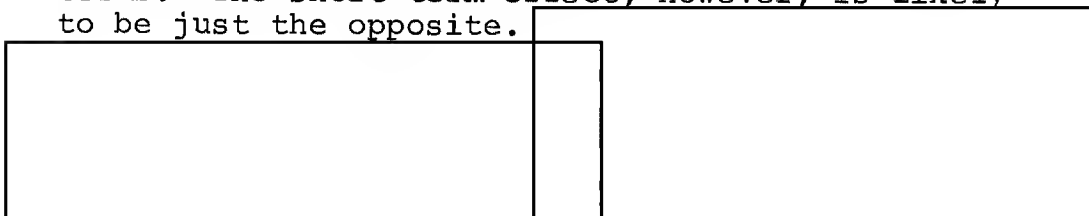
1

SECRET

SECRET

It is still too early to tell whether the present Bolovens offensive is part of a developing wider offensive in south Laos. Reinforced Communist units have been increasingly active along Route 9, where they are currently threatening the government towns of Dong Hene and Keng Kok. Such an offensive presumably would be designed to drive government troops farther from the Communists' infiltration corridor, perhaps as a belated response to irregular harassment operations during Lam Son 719.

The coincidence of the attacks in the south with the recent Communist cease-fire proposal raises the possibility that a southern offensive would have political objectives as well. The Communists might hope that a threat in the south would increase pressure on the government to negotiate on Communist terms. The short-term effect, however, is likely to be just the opposite.



25X1

17 May 71

Central Intelligence Bulletin

2

SECRET

SECRET

EGYPT: The atmosphere in Cairo four days after the purge remains untroubled, and President Sadat still appears to have the situation well in hand.

Reportedly all of the principals who were dismissed--as well as a number of members of the Arab Socialist Union, Egypt's nominal political party, and lesser government officials--have been jailed or placed under house arrest. With his swift action Sadat has squelched any countermoves from his opponents, and his position, at least in the short run, appears to have been strengthened. The opening of investigations by the attorney general yesterday tends to confirm earlier indications that Sadat intends to bring to trial some of those who were deposed.

War Minister Sadiq's prompt pledge of the military's support suggests that Sadat had the tacit blessing of the armed forces before his decisive moves last Thursday. One of the purposes of his trip to the canal zone on 11-12 May may have been to ensure the indispensable backing of his key command level officers. [Senior police officials, whose former chief was the deposed minister of interior Goma, have also pledged their allegiance to Sadat.]

Meanwhile, in the past few days Egyptian officials have held a round of meetings with leaders and representatives of several Arab states, presumably for the purpose of briefing them on the latest changes. Sudan and Syria have issued statements of solidarity with the new Egyptian Government. In Tel Aviv, Israeli Defense Minister Dayan assessed developments in Egypt as "very significant" but added that he did not believe that the upheaval was related to Cairo's policy toward Israel. The Soviet press has carried a factual account of the situation without comment.

There is no evidence to support press reports that Moscow has suspended military and economic assistance to Cairo or that it has recalled merchant

17 May 71

*Central Intelligence Bulletin*

3

SECRET

SECRET

ships en route to Alexandria with military cargoes. Soviet seaborne military deliveries to Egypt during April and thus far in May have been steady, although below the February and March totals. During the earlier months, the Soviets were engaged in delivering additional advanced equipment to improve further Egypt's air defenses, and it is not unusual to see military shipping slacken off after a period of heightened activity.

25X1

17 May 71

*Central Intelligence Bulletin*

4

SECRET



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INDIA-PAKISTAN: India has issued a strong new protest to Pakistan over the heavy flow of refugees from East Pakistan.

In a note to the Pakistani high commissioner on 14 May, India reserved the right to claim "full satisfaction" from Pakistan for the costs of caring for the refugees. An Indian spokesman claimed that the number of refugees arriving in India has climbed to 100,000 a day and that the total has now reached 2.6 million.

In addition to its concern that caring for so many refugees will severely tax its resources, India may be worried that the refugee camps will become centers of discontent vulnerable to leftist agitation, thereby aggravating the already serious problem posed by Naxalite extremists in eastern India. The government is also worried that conflict may develop between the refugees and local inhabitants over the lowering of wage rates and the disruption of normal services.

Meanwhile, discussion is continuing on repatriation of the Indian and Pakistani deputy high commission staffs in Dacca and Calcutta. The Swiss, whose good offices have been accepted by both sides, believe the issue will soon be resolved. A Swiss Embassy officer in New Delhi told a US official on 15 May that many details remained to be worked out, but that some "common minimum ground" had been established.

25X1

17 May 71

*Central Intelligence Bulletin*

5

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SECRET

COMMUNIST CHINA: Peking is accelerating its efforts to improve relations with Southeast Asian countries.

The recent warm reception of a Malaysian trade delegation in Peking, which included a meeting with Premier Chou En-lai, is the latest evidence that the Chinese intend to improve their relationship with that country. The visit follows several months of diplomatic gesturing by both Kuala Lumpur and Peking. Chinese handling of the affair--including the use of the term Malaysia without quotes for the first time in official media--suggests Peking's implicit acceptance of the legitimacy of the almost eight-year-old federation, which it had previously denied.

The Chinese have also recently shown an interest in bettering their relations with the Philippines. A private Filipino trade delegation was also received by Chou in Peking last week.

25X1

Peking extended typhoon relief aid to the Philippines last November and is refraining from direct attacks on President Marcos in its official media.

Peking's recent actions in regard to these countries are undoubtedly designed to capitalize on awakened interest in Communist China resulting from Peking's diplomatic efforts elsewhere, in particular from developments in Sino-US relations. According to a Chinese vice minister of foreign affairs, the Chinese would welcome diplomatic relations, trade, or cultural exchanges with a number of Southeast Asian countries. Peking does not expect sudden, dramatic results, but probably hopes to create a favorable "China mood" in Southeast Asian countries not recognizing Peking and, through signs of good neighborliness, to put anti-Peking hard-liners on the defensive.

25X1

17 May 71

Central Intelligence Bulletin

6

SECRET

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VENEZUELA: Student demonstrations broke out again last week and developed into widespread rioting; at least one person was killed, and there were numerous injuries and arrests.

Most of the demonstrators seem to be motivated by a general discontent with the educational system. Outside agitators--most of them extreme leftists--are attempting to take advantage of this discontent to increase their influence with the students and to encourage polarization of the political environment.

The government's tolerant policy toward the demonstrators has been strongly criticized by military and other elements. If the demonstrations continue, President Caldera will be under increasing pressure from the military to permit them to move against the ringleaders. [REDACTED]

25X1

17 May 71

*Central Intelligence Bulletin*

7

SECRET

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USSR: A Soviet submarine tender currently some 500 miles southwest of the Canary Islands appears to be heading toward the Caribbean and could arrive in Cuba late this week. The tender has been in the Mediterranean and is the same ship that was operating in Cuban waters until early April.

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ECUADOR: President Velasco's reassignment of 65 army officers indicates his continuing doubts about the reliability of support from his armed forces. All unit officers in the parachute battalion that supported the abortive move against the government in March were transferred. Velasco's ability to effect the reassignments shows that he still commands some support in the military's higher ranks. His latest moves, however, are likely to create a further uneasiness at lower levels that will begin to chip away at the military's residual loyalty and the lethargy that thus far have helped to maintain the five-time President in power.

25X1

17 May 71

Central Intelligence Bulletin

8

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